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**Subcommittee on Financial Institutions and Consumer Credit Hearing on “Mortgage Reform: A Comprehensive Review of the American Mortgage System”**

**Statement of Rep. Luis V. Gutierrez**

The last time this committee addressed legislation to restrict predatory mortgage lending was in November of 2007. The world has changed dramatically since then. Mortgage delinquencies and foreclosures are now at record levels. Since late 2007, my home city of Chicago has seen a 37 percent increase in new foreclosures, and in 2008 alone, Chicago saw nearly 20,000 new foreclosure filings. Some of the wards in the city have seen more than a 300 percent increase in foreclosures since 2006.

Not unrelated, our communities are suffering from the highest unemployment rate since 1982, and those who do have jobs are experiencing falling real wages. Tumbling home prices have

destroyed much of the wealth stored in what is often a family’s only real investment – their home.

How did we get here? Some have tried to pin the housing crisis on fair lending laws and regulations. But such arguments downplay or even ignore the role that derivative instruments played in the current crisis by exponentially compounding the mortgage losses.

We do know that in many cases, greedy, unscrupulous and sometimes illegal subprime mortgage lending practices significantly contributed to the problem. These lending practices—combined with macroeconomic factors that only exacerbated this greed—have combined to create the perfect economic storm that now threatens our communities and our economy as a whole.

Cheap credit derived from overseas foreign currency reserves encouraged many in the banking and finance industry to disregard their normally prudent lending standards and finance poorly underwritten and often predatory mortgages. These sub-prime mortgages were then securitized into mortgage backed securities and the corresponding credit default swaps that have caused the crisis that our world economy has been dealing with since last March.

While changes to the securitization system and other aspects of the mortgage finance process must and will be addressed, this hearing will focus primarily on how to create fair and prudent mortgage origination standards to prevent this tragic cycle from ever happening again.

I have called this subcommittee hearing today to return our attention to comprehensive mortgage lending reform. In the 110th Congress, this Committee and the House passed H.R. 3915. This bill was not signed into law, delaying many of our most vulnerable communities the protections they needed from predatory mortgage lending. Now the fight has turned into one of keeping working families in their homes and out of foreclosure or bankruptcy court. But it is important that we act with a sense of urgency to pass comprehensive mortgage lending reform that will keep us from repeating the mistakes of the housing boom and bust of the last few years.

I look forward to hearing from our witnesses and to a spirited debate on the issues.

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